

**Natalie Ketcham  
First Selectman  
Town of Redding  
Testimony  
Before the  
Labor Committee  
March 7, 2011**

**RE: HB-5400, An Act Concerning the Municipal Employee Retirement Contribution Rate**

The Town of Redding urges **support for HB-5400, An Act Concerning the Municipal Employee Retirement Contribution Rate**, which will increase the contribution rate of employees to the Municipal Employee Retirement Fund.

The amount the town must contribute to fund pension costs constitutes a significant share of total town expenditures. These costs are likely to accelerate in the coming years because total pension costs are mushrooming.

As a result, the Town of Redding is struggling to meet its obligation to fund K-12 education, public safety, transportation and other essential local services. Flat funding of state aid to municipalities coupled with costly state and federal mandates have placed a difficult financial burden on the state's towns and cities.

The municipal employee contribution rate, which is set by statute, has never been increased. In FY 2003-04, the Redding employee share was 42% and the municipality paid 58% of the required contributions. In FY 2011-12, the employee share was down to 14% and the municipality picked up 86% of the cost. The impact of this on the municipal budget is staggering: In FY 2003-04, the dollar contribution to MERF was 1.75% of the budget (\$159,000). That grew to 4.0% of the total town budget in FY 2011-12 (\$526,000).

To fund pensions, towns are picking up a greater share of municipal pension costs at a time when property taxpayers simply cannot afford it. This is diverting scarce resources from essential public services.

According to a report by the Pew Center on the States, 18 states have recently taken action to reduce their pension liabilities either through reducing benefits or increasing employee contributions – or both - and more were expected to do so in 2011 and 2012. Connecticut also needs to take steps to bring municipal pension costs back in line. HB-5400 is a modest proposal that will increase the employee contribution rate to assist in addressing these concerns.